

**GRAYS HARBOR HISTORICAL SEAPORT AUTHORITY**  
**Grays Harbor County, Washington**  
**January 1, 1993 Through December 31, 1994**

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**Schedule Of Findings**

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1. Employees Received Undue Compensation

The following instances of employees receiving undue or unallowable compensation were noted during the examination:

- The executive director, prior to becoming an employee of the authority, negotiated a bonus for work performed in conjunction with the 1991 Puget Sound. In 1993, a promissory note for \$3,041 was executed between the authority and the executive director, as he had not yet received compensation for the 1991 bonus. Later in 1993, the promissory note was satisfied in full. However, in 1994, the executive director was also allowed free use of the Lady Washington, worth \$1,500 at the then current rental rate, to satisfy the same 1993 promissory note. Furthermore, the original Puget Sound bonus was miscalculated resulting in an over-payment to the executive director of \$331.60.
- The director has received compensation in the form of free boat moorage for his personal boat for the period of January 8, 1993, to the present.
- The board approved employee bonuses, which violate Article II, subsection 25 of the Washington State Constitution.

Article II, Subsection 25 of the Washington State Constitution states in part:

The legislature shall never grant any extra compensation to any public . . . employee, after the services have been rendered . . . .

The board was apparently unaware that compensation in each of the above instances was in violation of the law. This condition led to the unauthorized payments and other forms of compensation that were given to employees.

We recommend the board recover the extra compensation granted to the executive director when he was allowed free use of the Lady Washington and free moorage and also recover the over-payment in the original Puget Sound bonus.

We further recommend that the board cease granting bonuses to employees, unless specifically outlined in employee contracts.

2. The Board Should Operate Within Legal Guidelines

During the course of the audit, the following came to our attention:

- Activities were noted that were not presented to the Board for its approval.
  - a. A \$10,000 line of credit was entered into with a local banking institution which was signed by 2 board members; however, no formal vote was taken on this action.
  - b. A board member loaned money to the authority. Other board members were unaware of this financing arrangement.
  - c. The executive director signed a lease contract without authorization by the board. No board policy or discussion within the minutes allowing the director to do this could be located.
- Several executive sessions failed to comply with Chapter 42.30 RCW.
  - a. The duration and time when the executive session was to be concluded was not publicly announced.
  - b. The purpose of the executive session was not always stated.
  - c. Executive sessions were held to discuss matters other than those allowed by law.

RCW 42.30.010 states in part:

It is the intent of this chapter that their (the Board's) actions be taken openly and that their deliberations be conducted openly.

RCW 42.30.060 further states:

No governing body shall adopt any rule, order or directive, except in a meeting open to the public . . . .

RCW 42.30.110 states in part:

. . . the presiding officer shall publicly announce the purpose for excluding the public from the meeting place, and the time when the executive session will be concluded.

The board was apparently unaware of the requirements of the Open Public Meetings Act, and that the board as a whole is the legal power of the entity and is required to set board policy and direction.

We recommend that all actions taken without board approval be reexamined by the whole board, and either be ratified or nullified.

We also recommend that the minutes reflect all actions taken by the board as a whole.

We further recommend that executive sessions be held in compliance with the law.

3. Internal Controls Over Cash Receipts Should Be Established

The Lady Washington is offered to the public at various levels of use and various rates. The authority failed to retain records indicating which days the Lady Washington was in use, for what activities, and at what rates. Failure to produce or retain these records precludes an audit of the authority's primary revenue producing asset.

The lack of accountability over cash receipts affects the authority's ability to properly manage and safeguard cash. Further, with no cash receipting records retained there is no way to establish the cash receipts earned by the authority.

We recommend the authority immediately begin to retain records of cash receipts generated by the Lady Washington.

4. Internal Controls Over Purchases Should Be Strengthened

During the course of our examination we noted the following internal control weaknesses:

- No evidence existed of any claims being audited or certified prior to payment.
- Some purchases lacked proper board approval and the board was not informed of all purchases either prior to or after payment.
- Some purchases lacked supporting documentation.
- Nominal amounts of unallowable purchases, such as alcoholic beverages, were noted during the review of claims paid.

RCW 42.24.080 states in part:

All claims presented against any municipal corporation shall be audited, before payment, by an auditing officer . . .

The RCW further states that a certification form must be prepared for all payments, and no claim should be paid without such authentication and certification.

The board was apparently unaware of legal requirements for purchases. Management did not believe board approval was needed for all purchases prior to payment.

By not requiring board review and approval of purchases and supporting documentation, funds were expended for unallowable or unauthorized purchases.

We recommend that all purchases be approved by the board prior to payment, and only allowable items be purchased.

We further recommend that all claims payable be properly audited and certified and all claims have adequate supporting documentation.